

**CITY OF RANTOUL**  
Rantoul, Kansas

FINANCIAL STATEMENT  
AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2016

# CITY OF RANTOUL

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Rantoul  
Rantoul, Kansas

### **Report on the Financial Statement**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Rantoul, Kansas, as of and for the year ended December 31, 2016 and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note C; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note C of the financial statement, the financial statement is prepared by the City of Rantoul, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Rantoul, Kansas as of December 31, 2016, or changes in financial position and cash flows thereof for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

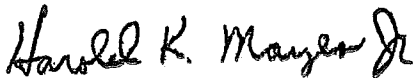
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Rantoul, Kansas as of December 31, 2016, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

**Other Matters*****Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditure-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.

***Prior Year Comparative***

The 2015 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2016 basic financial statement upon which we have rendered an unmodified opinion dated May 20, 2019. Such 2015 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records. The 2015 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 comparative information is fairly stated in all material respects on the basis of accounting described in Note C.



Harold K. Mayes CPA  
Agler & Gaeddert, Chartered  
Ottawa, Ks  
May 20, 2019

**City of Rantoul, Kansas**

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**  
**REGULATORY BASIS**  
For the Year Ended December 31, 2016

<b>Fund</b>	<b>Unencumbered Cash Balance Beginning of Year</b>	<b>Cash Receipts</b>
<b>Governmental Fund Types</b>		
General Fund	\$ 61,144	\$ 45,629
Special Revenue Funds		
Special Highway	0	8,063
Parks & Recreation	2,465	0
<b>Business Funds</b>		
Water & Sewer	47,865	55,946
Total Reporting Entity	\$ 111,474	109,638

Composition of Cash:

The accompanying notes are an integral part of this statement.

Statement 1

<u>Expenditures</u>	<u>Unencumbered Cash Balance End of Year</u>	<u>Outstanding Accounts Payable and Encumbrances</u>	<u>Cash Balance End of Year</u>
\$ 57,006	\$ 49,767	\$ 0	\$ 49,767
8,063	0	0	0
2,000	465	0	465
<u>49,709</u>	<u>54,102</u>	<u>0</u>	<u>54,102</u>
<u><u>116,778</u></u>	<u><u>104,334</u></u>	<u><u>0</u></u>	<u><u>104,334</u></u>
City - General			\$ 37,308
City - Water & Sewer			37,328
City - Parks & Rec			465
CD's			<u>29,233</u>
			<u><u>\$ 104,334</u></u>

The accompanying notes are an integral part of this statement.

## CITY OF RANTOUL

### NOTES TO FINANCIAL STATEMENT

December 31, 2016

#### NOTE A. MUNICIPAL REPORTING ENTITY

The City of Rantoul is incorporated under the laws of the State of Kansas and operates under an elected Mayor-Council form of government. This financial statement presents the City of Rantoul (the municipality). Also presented in the financial statement is Library which is a related municipality entity. The Library provides library services to the area. The Library board is appointed by the City. The City appropriates and distributes tax monies to the Library.

#### NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the City are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The City potential could have the following types of funds.

**General Fund** – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

**Special Purpose Funds** – used to account for the proceeds of specific tax levies and other specific revenues sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

**Bond and Interest Fund** – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt. The City does not have any of this type of funds.

**Capital Project Fund** – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment. The City does not have any of this type of funds.

**Business Fund** – funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.).

**Trust Fund** – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity scholarship funds, etc). The City did not have any trust funds for the year presented. The City does not have any of this type of funds.

**Agency Fund** – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund, tax collection accounts, etc.). The City does not have any of this type of funds.

#### NOTE C. BASIS OF ACCOUNTING

*Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America* - The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.



## **CITY OF RANTOUL**

### **NOTES TO FINANCIAL STATEMENT**

December 31, 2016

#### **NOTE C. BASIS OF ACCOUNTING- continued**

City of Rantoul has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

#### **NOTE D. BUDGETARY INFORMATION**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

**Adjustment for Qualifying Budget Credits** – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board. The following funds are not required to have a published budget.



## **CITY OF RANTOUL**

### **NOTES TO FINANCIAL STATEMENT**

December 31, 2016

#### **NOTE E. DEPOSITS AND INVESTMENTS**

##### **City**

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

*Concentration of credit risk* - State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City has no investments.

*Custodial credit risk – deposits*: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2016.

At December 31, 2016, the carrying amount of the City's bank deposits was \$104,334 and the bank balance was \$104,334. The bank balance was held by one bank resulting in a concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$104,334 was covered by federal depository insurance coverage. None of the bank balance was covered by pledged securities.

*Custodial credit risk – investments*: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The City had no such investments at year end.

#### **NOTE F. INTERFUND TRANSFERS**

There was a transfer from Parks and Recreation to General Fund for \$2,000 for the year end December 31, 2016.

#### **NOTE G. OTHER LONG-TERM OBLIGATIONS FROM OPEARATIONS**

#### **NOTE H. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

#### **NOTE I. LONG-TERM DEBT**

There was no long-term debt as of December 31, 2016.

## CITY OF RANTOUL

### NOTES TO FINANCIAL STATEMENT

December 31, 2016

#### NOTE J. OTHER INFORMATION

***Ad Valorem Tax Revenue:*** The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20 and distributed to the City by January 20 to finance a portion of the current year's budget. The second half is due May 20 and distributed to the City by June 5. The City draws available funds from the County Treasurer's office at designated times throughout the year.

***Reimbursed Expenses:*** The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursement as receipts in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

***Compliance with Kansas Statutes:*** References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the municipality.

Management is not aware of any other statutory violations in the period covered by this audit.

#### NOTE K. SUBSEQUENT EVENTS

***Subsequent Events:*** The City evaluated subsequent events through May 20, 2019 the date the financial statements were available to be issued. No subsequent events were identified which require disclosure.

**REGULATORY BASIS  
SUPPLEMENTARY INFORMATION**

**City of Rantoul, Kansas**

**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET**  
**(Budgeted Funds Only)**  
**Regulatory Basis**  
**For the Year Ended December 31, 2016**

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>
<b>Governmental Type Funds</b>		
General Fund	\$ 57,184 \$	0
Special Revenue Funds		
Specail Highway	39,612	0
Business Funds		
Water & Sewer	102,205	0

See Independent Auditor's Report.

<b>Total Budget for Comparison</b>		<b>Expenditures Chargeable to Current Year</b>	<b>Variance Over (Under)</b>
\$ 57,184		\$ 57,006	\$ (178)
39,612		8,063	(31,549)
102,205		49,709	(52,496)

**City of Rantoul, Kansas**

Schedule 2a

**GENERAL FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS**

For the Year Ended December 31, 2016

(With comparative actual totals for the prior year ended December 31, 2015)

		<b>2016</b>		<b>Variance Over (Under)</b>
	<b>2015 Actual</b>	<b>Actual</b>	<b>Budget</b>	
<b>Receipts</b>				
Taxes	\$ 10,154	\$ 16,398	\$ 6,829	\$ 9,569
Franchise Income	4,095	13,876	50,355	(36,479)
Dog Licenses	56	0	0	0
Customer Payments	18,009	0	0	0
Insurance Dividend	893	804	0	804
Interest	15	7	0	7
Miscellaneous Income - General	51	2,522	0	2,522
State of KS - Compensating	137	10,022	0	10,022
Transfers in	0	2,000	0	2,000
Total receipts	<u>33,410</u>	<u>45,629</u>	\$ <u>57,184</u>	\$ <u>(11,555)</u>
<b>Expenditures</b>				
Advertising & Promotion - Gen	552	1,430	\$ 57,184	\$ (55,754)
Dues/Subscriptions/Memberships	654	2,134	0	2,134
GAS/FUEL - General	83	1,187	0	1,187
Insurance Expense: Gen Liability Ins	5,795	6,377	0	6,377
Meals & Entertainment	2,152	2,416	0	2,416
Meeting Expense	600	1,020	0	1,020
Mileage - General	243	698	0	698
Misc. Expense - General	7,223	6,987	0	6,987
Office Supplies - General	1,544	1,968	0	1,968
Postage & Delivery - General	961	1,099	0	1,099
Professional Fees - General	2,518	2,062	0	2,062
Repairs & Maintenance - Gen	27,621	3,370	0	3,370
Sand/Salt	28	66	0	66
Telephone Expense	915	867	0	867
Tractor/Mower Expense - Gen	0	17,843	0	17,843
Trash Pickup	364	614	0	614
Utilities - General	11,268	6,868	0	6,868
Business Licenses & Permits	27	0	0	0
Computer & Internet Expenses	1,277	0	0	0
Continuing Education	510	0	0	0
Maintenance Supplies	330	0	0	0
Total expenditures	<u>64,665</u>	<u>57,006</u>	\$ <u>57,184</u>	\$ <u>(178)</u>
Receipts over (under) expenditures	\$ (31,255)	\$ (11,377)		
Unencumbered Cash, beginning of year	<u>92,399</u>	<u>61,144</u>		
Unencumbered Cash, end of year	\$ <u>61,144</u>	\$ <u>49,767</u>		

See Independent Auditor's Report.

**City of Rantoul, Kansas**

Schedule 2b

**SPECIAL REVENUE  
SPECIAL HIGHWAY  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS**

For the Year Ended December 31, 2016

(With comparative actual totals for the prior year ended December 31, 2015)

	<b>2015 Actual</b>	<b>2016</b>		<b>Variance Over (Under)</b>
		<b>Actual</b>	<b>Budget</b>	
<b>Receipts</b>				
State of KS disbursement - HWY	\$ 15,676	\$ 8,063	\$ 0	\$ 8,063
Total receipts	15,676	8,063	0	8,063
<b>Expenditures</b>				
Repairs & maintenance	15,676	8,063	\$ 39,612	\$ (31,549)
Total expenditures	15,676	8,063	\$ 39,612	\$ (31,549)
Receipts over (under) expenditures	0	0		
Unencumbered Cash, beginning of year	0	0		
Unencumbered Cash, end of year	\$ 0	\$ 0		

See Independent Auditor's Report.



**City of Rantoul, Kansas**Schedule 2c

SPECIAL REVENUE  
PARKS AND RECREATION  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
REGULATORY BASIS  
For the Year Ended December 31, 2016  
(With comparative actual totals for the prior year ended December 31, 2015)

	<u>2015 Actual</u>	<u>2016 Actual</u>
<b>Receipts</b>		
Other	\$ 350	\$ 0
Total receipts	<u>350</u>	<u>0</u>
<b>Expenditures</b>		
Maintenance Supplies	405	0
Transfers out	<u>0</u>	<u>2,000</u>
Total expenditures	<u>405</u>	<u>2,000</u>
Receipts over (under) expenditures	(55)	(2,000)
Unencumbered Cash, beginning of year	<u>2,520</u>	<u>2,465</u>
Unencumbered Cash, end of year	\$ <u><u>2,465</u></u>	\$ <u><u>465</u></u>

See Independent Auditor's Report.

City of Rantoul, Kansas

Schedule 2d

BUSINESS FUNDS  
WATER & SEWER  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year Ended December 31, 2016

(With comparative actual totals for the prior year ended December 31, 2015)

	2015 Actual	2016		Variance Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Customer Payments	\$ 61,451	\$ 55,946	\$ 102,205	\$ (46,259)
Total receipts	61,451	55,946	<u>102,205</u>	<u>(46,259)</u>
<b>Expenditures</b>				
Repairs & maintenance	0	768	\$ 102,205	\$ (101,437)
Chemicals	0	1,357	0	1,357
Contracted Services - W/S	2,110	2,349	0	2,349
Payroll Expenses - W/S	43,038	39,388	0	39,388
Sales Tax	(482)	477	0	477
Water Protection Fee	192	190	0	190
Water Purchase	0	4,007	0	4,007
Water Sample Testing	646	1,173	0	1,173
Total expenditures	45,504	49,709	<u>\$ 102,205</u>	<u>\$ (52,496)</u>
Receipts over (under) expenditures	15,947	6,237		
Unencumbered Cash, beginning of year	<u>31,918</u>	<u>47,865</u>		
Unencumbered Cash, end of year	\$ <u>47,865</u>	\$ <u>54,102</u>		

See Independent Auditor's Report.